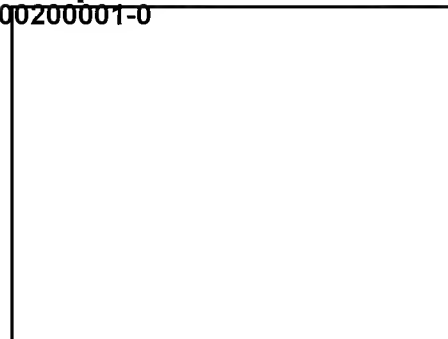




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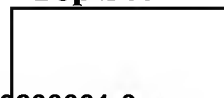


National Intelligence Daily

Wednesday
23 May 1979

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25X1

Contents

Briefs and Comments

25X1



Canada: *Election Returns* 2 25X1



Lebanon: *Political Reconciliation Moves* 5 25X1



Overnight Reports 13

The Overnight Reports, printed on yellow paper as the final section of the *Daily*, will often contain materials that update the Situation Reports and Briefs and Comments.



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CANADA: Election Returns

Progressive Conservative leader Joe Clark scored a decisive victory over Liberal Prime Minister Trudeau in Canada's general election yesterday, but fell short of winning a majority in the 282-seat Parliament. Clark will have to negotiate support from either the left-leaning New Democratic Party, which won 26 seats, or the Quebec-based Social Credit Party; the six seats it captured would be just enough for Clark to control Parliament. Trudeau said last night that he would remain as leader of the opposition.

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The Tories won the election in English Canada--only two Progressive Conservatives won in Quebec--and Clark will face the problem of bringing enough francophone Tories into his government to provide balance. Such a balance will be part of Clark's program to convince Quebecers to vote "no" in the referendum on sovereignty-association promised by the separatist Parti Quebecois government of Quebec within a year.

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Clark plans to move slowly and methodically in taking over the reins of power and is unlikely to propose any new initiatives on the economy or in foreign relations for several months.

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LEBANON: Political Reconciliation Moves

President Sarkis is attempting to form a new cabinet composed of representatives of the country's political factions as the first step toward national reconciliation. Syria is backing Sarkis on some points, but major obstacles remain.

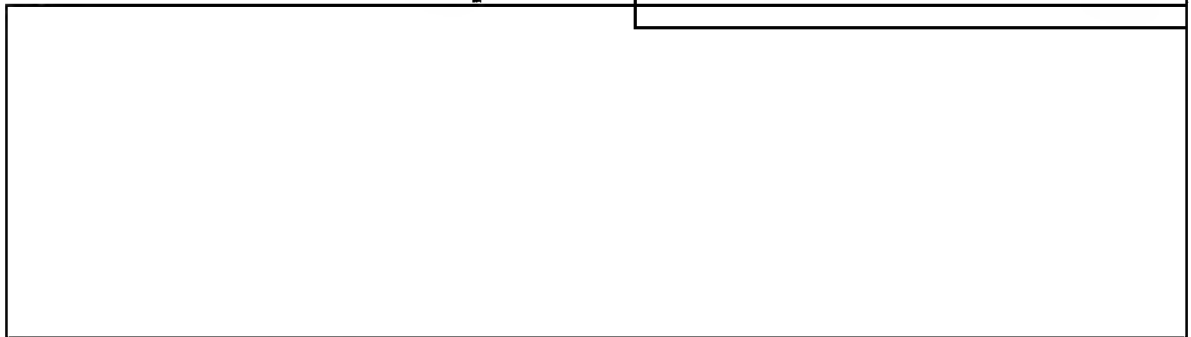
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Sarkis hopes that a cabinet composed of politicians will be more effective in leading Lebanon toward national reconciliation than the technocrats who dominated the last government. The Lebanese leader began discussions with prominent political leaders yesterday and told US officials that he is willing to spend several months trying to form a new government.

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Syrian President Assad endorsed Sarkis' initiative during talks between the two leaders in Damascus last week. The Syrians hope a political cabinet will reduce the chances of renewed fighting between their forces in Lebanon and Christian Maronite militiamen and will ultimately allow Syria to reduce its military presence in Beirut and other flashpoints.

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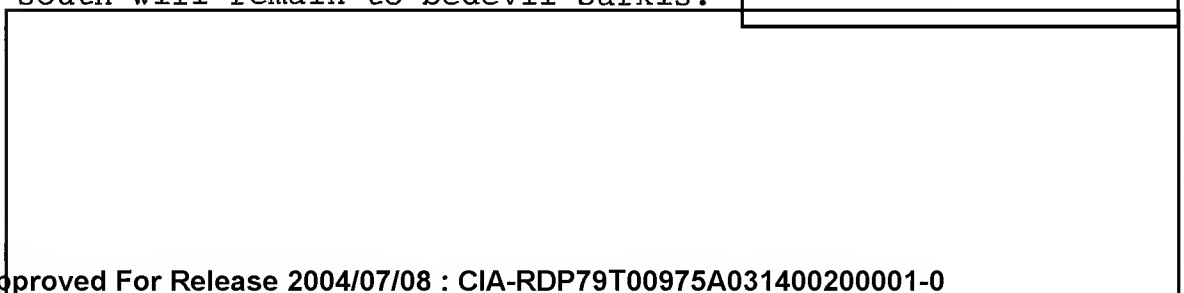


Previous efforts to form a political cabinet have failed because of Muslim-Christian animosities and the numerous rivalries within both camps. The intractable issues of the Palestinian presence in Lebanon and the pro-Israeli activities of renegade Army Major Haddad in the south will remain to bedevil Sarkis.

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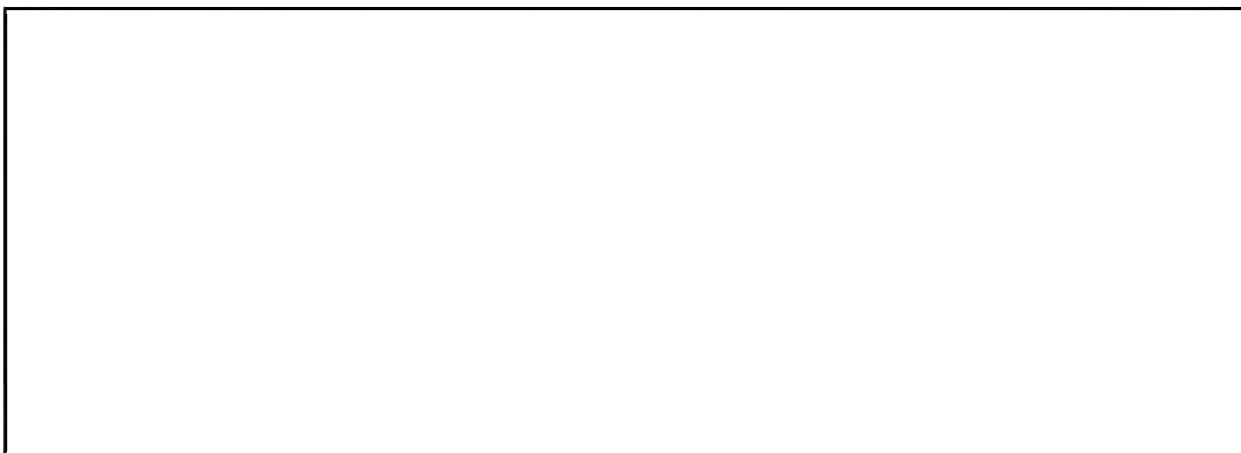


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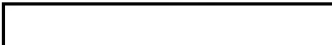
OVERNIGHT REPORTS

(The items in the Overnight Reports section have not been coordinated within the intelligence community. They are prepared overnight by the Office of Current Operations with analyst comment where possible from the production offices of NFAC.)

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Israel-Sinai

According to Western press reports, members of one of Israel's Sinai settlements, including activists from the radical Gush Emunim organization, have rejected the government's entreaties to evacuate a 500-acre farming area adjacent to the Al Arish airfield. Spokesmen for the settlers said the group is prepared to use force to resist any government efforts to remove them before Al Arish is returned to Egypt on Friday. 

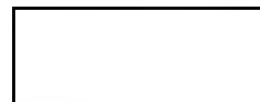
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West Germany - Turkey

The US Embassy in Bonn reports that a decision on the level of West Germany's contribution to the Western multilateral assistance package for Turkey is expected to be made this afternoon at a meeting of representatives of the ministries concerned. The Foreign Office is described as optimistic that Chancellor Schmidt and other attendees will approve aid totaling \$200 million. 

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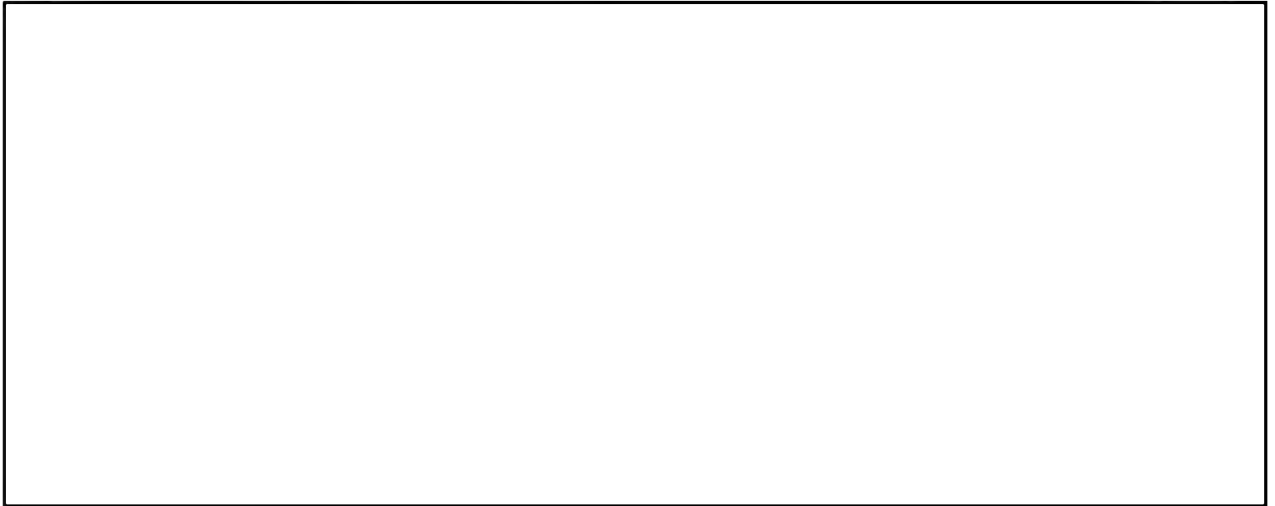


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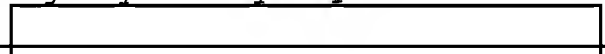
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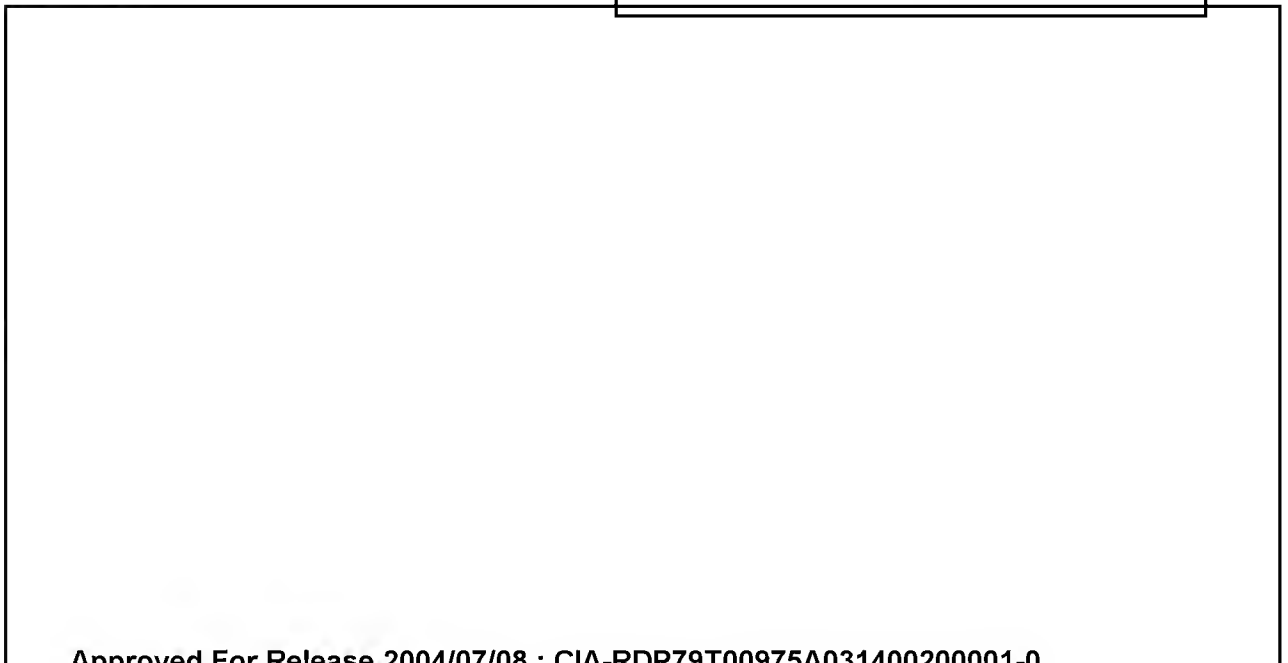
China-Vietnam

Chinese and Vietnamese news agency versions of yesterday's talks between the two countries' Red Cross delegations say that they will meet again on Saturday to discuss prospects for releasing all of those captured in the recent conflict. The New China News Agency's treatment adds that lists of all captives will be exchanged, and the two sides on Monday will exchange 118 Vietnamese "wounded and sick" captives for 20 Chinese being held by Vietnam. The Vietnamese agency merely says there would be a prisoner exchange.

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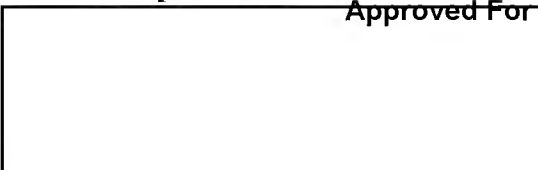
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